

ADMINISTRATIVE SERVICES
DEPARTMENT



M E M O R A N D U M

TO: Rich Zwicker, Council President
Renton City Councilmembers

FROM: Iwen Wang, Administrative Services Administrator

SUBJECT: Updated financial info contained in October 17, 2011 memo from Mayor
Law to Renton City Council regarding West Hill Annexation

*****PLEASE NOTE: The year used on the Ongoing Annexation Impact – General Fund table only indicates the projection period, not the proposed or anticipated timing of the annexation being effective. Also, the service level/staffing could change so that the costs are within the total available resources.***

The purpose of this memo is to provide the City Council with the most up to date information about financial impacts on the proposed West Hill Annexation due to the updated economic condition and results of 2012 State Budget actions. We also want to point out an important point about the annexation process that we had not identified in the past. Under the state annexation law for code cities (35A.14.090), should the voters approve the annexation, the only decision city council will make is when the annexation will be effective. The city cannot reject the annexation at that point. Based on present information and the challenge of the projected 2013-2014 city budget, the Administration is recommending not moving forward with the annexation election in November 2012, and to further delay the annexation election until such time as the City's financial condition improves or other long-term financing tools become available to support the annexation funding gap.

The attached memo was initially drafted for Council consideration in October 2011. The memo is essentially the same, but now contains updated financial information, highlighted in red, where applicable. Also attached is the outreach information that the City prepared and used in its effort to build a coalition to create positive change in the area, regardless whether or not it is annexed to Renton.

A draft Committee of the Whole report is also attached for your consideration at the meeting on June 11. If so directed, Administration will draft a resolution to request that King County Council remove the annexation from the November 2012 election ballot.

MEMORANDUM

TO: Terri Briere, Council President

Renton City Councilmembers

FROM: Mayor Denis Law

SUBJECT: **Update: West Hill Annexation Fiscal Impact**

The purpose of this memo is to provide you with an update about the financial outlook for the proposed West Hill annexation as part of our ongoing efforts to see if there is a financially sustainable path to annex the area. Last year, the City Council approved Resolution 4061 to ask West Hill voters to consider annexation in February, 2012. This action provided my staff with time to continue seeking an adequate revenue source that is needed in order for the City to provide municipal services to West Hill for the short- and long-term if annexation was approved.

As you know, I have been a strong advocate for annexing the West Hill if we can find a sustainable way to cover the costs of providing vital services to this community, which has been neglected for many decades. I lived in Bryn Mawr for a time and my daughters attended Lakeridge Elementary. In those days, we had two major supermarkets, a nice pharmacy, restaurants, hardware store and a strong sense of community. The only thing remaining today is the strong sense of community.

This sense of community, nurtured by Skyway Solutions and local businesses, is very inspiring and has reinforced our efforts to try and find ways to annex this area into Renton to provide the quality services that are desperately needed. However, my position has consistently been that we need to find a way of annexing the area without negatively impacting the services we currently provide Renton residents.

Despite working at this effort very hard for nearly four years, including engaging elected officials at every level of government and with private sector foundations, we have not been successful at bridging the significant gap between the cost of providing service and the revenues we will generate at this time.

When you approved the resolution for an annexation election, I outlined some risks to moving the matter forward for a vote of West Hill residents. As I mentioned earlier, the City offered this option since it provided us more time to try and find a sustainable funding path. However, moving on to an election,

despite our inability to secure needed revenues, will raise the expectations of West Hill residents about potential annexation, and if they vote yes, create the expectation that annexation will occur.

I understand the desire by many council members to still have an election in order to get a sense from the West Hill residents on whether they truly want to be part of Renton. The vote will provide us with a clear direction on whether to continue to pursue revenue sources so that we can serve the area, or abandon the annexation discussion for now.

If for any reason the council should decide not to move for an election in February, a resolution will need to be passed by the October 24th meeting, which is the reason for providing an update to you at this time. We are prepared to move forward with the election as you have directed, unless directed otherwise, but I want to emphasize, once again, that I cannot support annexing this area until an adequate funding source is found. The impact of trying to provide municipal services to West Hill, with the significant projected revenue shortfall now, and in the future when the state subsidy ends, will be tremendous to our local residents. That doesn't mean that we won't continue to explore revenue options with the county and state if residents vote to annex to Renton.

Here is our current financial analysis, which isn't much different from what you have been presented with earlier this year:

Updated Estimate of Fiscal Impacts

The purpose of estimating costs and revenues for the annexation area is to see a picture of what resources are needed on the short- and long-term to provide services to the annexing area and the current City. Renton City departments were asked to determine how Renton would extend current levels of service to annexation areas. Our future costs and revenues for West Hill annexation fall into four areas, including:

- General fund and enterprise fund to provide ongoing city services;
 - One-time transition costs for equipment and vehicles;
 - Pre-annexation start-up costs for hiring staff; and
 - Long-term capital funding and infrastructure needs.

In total, Renton would need to identify resources of nearly \$4M in startup costs; at least \$1.5M for ongoing operations over and above the revenues the newly annexed area would generate, and the state subsidy; and \$4M each year to fund the estimated capital needs for the area. Below is more information about the current estimates in each of these areas.

Ongoing Annexation Impact – General Fund: \$1.3M in 2013 growing to \$4.5M annually in 2023

- Current plans envision adding 96.5 staff across all city departments to provide all city services
 - Some staffing additions would benefit the city as a whole
- Estimated General Fund revenues compared to costs for year 1 and year 10 of annexation:

	2013 (upon annexation)	2023
Anticipated Revenues	\$7.50	\$9.13
State Sales Tax Credit (2 nd .01%)	\$2.00	\$0.00
Anticipated Expenditures	\$10.85	\$13.60
Anticipated Gap	(\$1.35)	(\$4.47)

Ongoing Annexation Impact – Enterprise Funds: rate increases

- Annual difference between estimated costs and revenues: (-\$400K)
 - One-time equipment costs of \$605,000
 - Solid waste, Surface Water, Technical Services
- Enterprise funds would rely on rate and fee increases to close estimated gaps

Startup and Equipment Costs: \$2.5M

- Transition costs: vehicles, equipment, get parks and streets up to City standards
- Also personnel recruitment; land surveys; population census; boundary surveys, computer and phone equipment
- Could be partially offset by one-time revenues from King County (\$600K/year over 3 years)

Pre-annexation Hiring: \$1.6M

- Police: lead time to recruit and train
- Human resources: support for hiring annexation-related staff

Long-Term Infrastructure/Capital Costs: \$4.1M estimated annually

- Skyway and Bryn Mawr parks, storm water and street (Renton TIP) infrastructure costs
- An annual estimate to extend Renton's current capital facilities program into West Hill
 - Currently Renton dedicates Real Estate Excise Tax to support capital projects
 - Will need to identify, phase and fund with other capital development priorities

Efforts to Drive Down the Gap

- Since early 2010, Renton has reached out to federal, state, county, and non-profit funders to ask for partnerships to help fund services to the area if annexation was approved, and to support the community's vision to create positive change in the community.
- Our efforts have included visits to Olympia and Washington DC, to make visible the need for operating funds to facilitate annexation.
- Renton received tremendous support from our state legislative delegation and particularly from Senator Prentice and Representative Pettigrew with expansion of the state sales tax credit, capital budget appropriations for sidewalk development on the Renton Avenue South business corridor, and grant funding for community building. We have consistently championed the creation of more funding tools for the city to facilitate annexation in our legislative agenda.

Efforts and Planning Since August 2010

- Request to King County for transition funding (Offer: \$600K/year for 3 years post-annexation)
 - Joint City-County work to build sidewalks along Renton Avenue: \$250K state capital appropriation in 2010, \$182,495 federal CDBG funding obtained by KCDOT in 2010; \$750,000 state capital appropriation in 2011. KCDOT has also applied for \$291,300 in additional funds from the TIB for the project (June 2012, did not receive funding).
 - Reduce public safety costs (2- to 1-officer car on patrol) after 2018 (savings: ~\$4.7M)
- Applied for COPS Hiring Grant – 3 years, 6 officers (September 2011, did not receive grant)
 - Negotiate with Skyway Water/Sewer district for utility tax (\$270K)
- Congressional requests (Sen. Cantwell): Neighborhood Crime Initiative; Renton Avenue Streetscape Improvements; Storm System & Drainage Infrastructure Improvements
- Progress: Interest by King County DDES to transition land use and development services to the City pre-annexation
 - Explored public safety partnerships with KC Sheriff's Office
 - Dialogue with Seattle Foundation about potential long-term community revitalization investments and efforts. To date, Seattle Foundation has made Skyway Solutions investments including \$5,000 Neighbor-to-Neighbor grant to establish the Skyway Youth Council and \$15,000 Neighborhoods & Communities grant. This is in addition to significant Seattle Foundation grants to the Renton School District and Renton Area Youth & Family Services that focus on West Hill/Skyway. The Seattle Foundation anticipates a place-based initiative, which could be focused in this area, with significant investments and leveraged funding from the Gates Foundation, corporations such as Boeing.

How Fiscal Impacts are Estimated

- Compares estimated revenues from the annexation to the estimated costs of city levels of service
- Assumes Renton level of service is extended to annexation area if voters approve (effective January 2013)
- Different drivers of costs of service (population, demographics, topography, street lane miles, crime rates, surface water facilities, park acres)
- Revenues overall grow 1.5% per year; specific sources according to Renton's growth rates
 - Expenditures grow at 3.3% per year

- Revenue from state sales tax credit: 0.1 percent against state share of the sales tax (operations only) available for 10 years

Risks / Benefits

- There is an identity and connection between Skyway/West Hill and Renton
- Annexation would bring improved services by those who live in West Hill (municipal level of services: police, economic development, neighborhood program, recreation program, higher maintenance levels)
 - Extent of cost-revenue imbalance is dependent on service level assumptions
 - No sustainable financial plan to annex without impacting current city service levels
 - Even in most positive scenario, after 2023 costs exceed revenues to serve the area
- After 2023, when sales tax credit is not available, the cost-revenue imbalance is estimated to rise to nearly **\$4.5M** per year
 - Annexation could exacerbate budget challenges the City is already experiencing
 - Slower-than-usual revenue growth
 - General fund already faces 2013-14 challenges
 - Further decline of sales tax revenue base reduces amount of sales tax credit available (\$2M or less); as State tackles budget challenges, reliance on this source long-term is uncertain
 - Declining AV could reduce future property tax revenue collections from current estimates

Imagine West Hill

WEST HILL TODAY

With an ideal location between Renton and Seattle, spectacular views and a community spirit and ethic of partnership that celebrates historic economic and cultural diversity, West Hill is a collection of neighborhoods perched on the hill between Renton and Seattle, made up of the Skyway, Lakeridge, Bryn Mawr, Earlington, and Skycrest, and other neighborhoods.



West Hill is poised for transformation. We've understood the root causes of these problems for decades.

Opportunities and Challenges

At first look, West Hill is graced with stunning views of Lake Washington, Mt. Rainier and the Olympic Mountains, and a history of farms and pastures settled by servicemen returning from World War II. Today West Hill is home to 15,000 residents who cherish assets such as Skyway Park, Dead Horse Canyon, and Earlington Park. This multi-racial, multi-lingual community has long-term residents with a strong spirit of neighborliness, commitment to youth, caring families, and rich diversity (ethnic, cultural and economic). Community members working for *Skyway Solutions* wish to make a difference in their community. And the West Hill Business Association wants to attract healthy neighborhood businesses, create safe places to gather, business district beautification and revitalization. Community institutions such as the post office, library, churches, schools, Boys and Girls Club, groups who clean graffiti and litter, Fire District #20, and Renton Area Youth and Family Services (RAYS) reflect a strong community commitment.

Take another look at West Hill, and you will also see boarded-up businesses, public safety and education challenges, and deficient infrastructure. Despite harrowing crime reports, a 2008 survey of residents said that residents mostly feel safe in the area, and they are committed to changing the perception and reality of safety problems in their neighborhoods. There are grave concerns about high turnover in the business district, lack of jobs, crime, poorly maintained properties, too few gathering places, not enough positive activities for youth, low morale, and racial polarization. The area has 44% of household incomes at 0-80% of median income. Neglected infrastructure, significant housing and human services needs, crime, social and public health challenges require many resources to address – more than any single organization has been able to give.

ECONOMIC DEVELOPMENT

Renton Avenue corridor connects Renton and South Seattle. Storage facilities and casinos are the healthiest businesses in the area, with few neighborhood shopping opportunities and vacant storefronts. Connections from one neighborhood to the next are challenging as West Hill is surrounded by major arterials with fast-moving traffic.

- About a third of West Hill's 1,200 jobs are in the governmental and educational sectors, with few retail jobs, and about 1/50th of Renton's employment base.
- The business district has vacancy signs and high turnover rates, generating little tax revenue.
- Local residents travel to neighboring areas to do everyday shopping.
- 2008 development activity included just 33 new residential units built compared to over 1,300 in neighboring Renton.



These challenges require many resources to address – more than any single organization has been able to give.

EDUCATION

West Hill needs educational and family support.

- Nearly half of Renton School District students live in poverty, more than the statewide average.
- 37% of students transfer to other schools or districts during the year for many reasons.
- An increasing number of students received transitional bilingual services.
- District surveys show that about a third live in homes where English is not the primary language spoken, increasing from prior years.
- Renton School District graduation rates have been less than 80% in the past five years. For those who do move on, there are substantial differences in college direct enrollment by ethnicity. More graduates from Renton attend two-year versus four-year colleges.
- Non-white students score lower than their white counterparts in reading and math.
- The poverty gap averages 23% and is widening in all subjects at 4th grade while closing in all subjects at 7th and 10th grades.
- At Dimmitt Middle School, 28% met WASL standards in math, one-half met WASL standards in reading and writing, and one-third met standards in Science. These youth go on to Renton High School, where the level of standards met are only slightly higher. Renton High School has dropped into the bottom 10% of academic achievement statewide.



PUBLIC SAFETY

In addition to struggling with economic development, West Hill has higher crime levels than most of King County. West Hill has similar or higher serious crime rates (murder, rape, robbery, aggravated assault) in an area with a population just one-fifth the size of neighboring Renton. Renton residents expect a police response averaging just under two minutes; residents of West Hill who call on the King County Sheriff's Office typically have response times of five minutes or more. Some non-priority calls wait hours for response. Monthly stories of shootings, deaths, concerns about public safety are associated with Skyway. From the headlines:

- *Man in Critical Condition After Weekend Shooting in Skyway* (Seattle Times, August 17, 2009)
- *Skyway Shooting Victim Dies* (Seattle Times, August 10, 2009)
- *Seattle Man Charged in Fatal Skyway Shooting* (Seattle Times, May 1, 2009)
- *Man Shot in Face During Skyway Party* (Seattle Times, April 6, 2009)
- *Man's Body Found in Skyway Carport* (KIRO TV, April 3, 2009)
- *Shots Fired at Skyway Bowling Alley* (Seattle Times, January 16, 2009)

Troubling public activities, perceptions of drug dealing, dogs at large, and loose garbage lead residents to feel unsafe. Half of those surveyed in 2008 report not seeing police in the neighborhood enough. Vacant homes and storefront properties have led to a higher rate of residential and commercial burglary than surrounding areas.



Multiple partners -- public, non-profit and community -- must make a sustained investment to bring about change and focus on the root causes of inequity in West Hill, with opportunities for a better future for the community: safe neighborhoods and gathering places; improving educational attainment; and developing safe, affordable housing.

Imagine West Hill as a healthy and supportive place to live, shop and work, with:

- Places where neighbors and business owners feel safe, and a law enforcement and community partnership aimed at lowering crime rates, eliminating gun violence, and safety to walk anywhere in the community.
- Renton School District ranked as one of the best school districts in the state, in academics, sports, with great teachers and the family support to allow students to graduate and achieve great things.
- Safe and accessible park and green spaces and walkable connections between places, and healthy opportunities for young people.
- Investments in parks, drainage systems and streets that encourage development of affordable, safe and healthy housing, economic development, open spaces, community gathering places.
- A thriving, vibrant local business district with positive local identity.
- A community rich in pride with strong neighborhood-based, non-profit organizations focusing on resident leadership, family development, neighborhood revitalization and community building.

West Hill's challenges demand much more than a debate about governance change. A positive blueprint is needed to mobilize the community and support a revitalized West Hill with actions to overcome these challenges – also envisioned in *Skyway Solutions* and the King County Equity and Social Justice Initiative.

Imagine West Hill: Renton believes West Hill is poised for transformation. A five-year partnership and investment could have remarkable results.



What Partners Can Do: West Hill Investment

FEDERAL GOVERNMENT

- Joint City-County COPS or Byrne Grant funds to bring neighborhood patrols, drug and gang emphasis resources to West Hill, and a community-based public safety task force.
- Joint City-County-Housing Authorities application for HUD partnership funds for housing repair.
- Explore potential CDBG Community Renewal, Section 108 opportunities, or HUD-funded affordable housing projects, or EDA grant opportunities for business district revitalization.

CORPORATE & NONPROFIT COMMUNITY

Help to fund family support to meet basic needs for food, housing, health care, housing repair assistance, and supportive services that lead to educational success. Potential partners include the Gates Foundation, Communities in Schools of Renton, BuRSST, Annie E. Casey Foundation's Making Connections Initiative, or a health initiative involving Valley Medical Center. Local companies such as Seattle Sounders/Seahawks, WalMart, Boeing, PACCAR/Kenworth, Microsoft, IKEA, Providence Health, McLendon Hardware, and local auto dealers and financial institutions could be asked to support various initiatives.



What Partners Can Do: West Hill Investment

CITY OF RENTON

Lead a five-year investment in 2011 to jointly provide police, parks, planning, and street maintenance services together with King County. Building on Skyway Solutions and Skyway Park visioning, invest existing tax revenues from West Hill plus \$3M from the former King County Annexation Initiative to create supportive, safe parks, open spaces and community gathering places. The City would agree to annex the area by resolution by 2012, with ongoing responsibilities as municipal service provider.

Renton would use existing West Hill tax base to:

- Provide police, fire, recreation and transportation services, focused on crime, gang, drug activity; proactive graffiti abatement and solid waste cleanup; and aggressive code enforcement and abandoned building abatement.
- Agree with King County to transition, operate and repair parks, administer land use regulations, bring City recreation, housing repair and neighborhood programs to West Hill.

- Create a thriving business district using zoning and economic development tools to rebuild the commercial corridor, invite and recruit businesses.
- Contract with Fire District 20 to allow for phased fire and emergency medical services, and a smooth transition of services if annexation occurred.

KING COUNTY

King County should make a \$10M investment in transportation, public safety, public health, natural resources, parks, and human services:

- Supplement current road and drainage investments through 2012 using County Road Funds with a goal to bring surface water and drainage problems into compliance with modern, urban standards.
- Aggressively pursue building and code violations jointly with Renton.
- Create joint City-County-Chamber economic development opportunities, dedicating a significant share of County CDBG funds to site more family support and health and human services.

- Adopt City zoning regulations. Renton would administer the land use codes ahead of annexation.
- Keep Skyway Park open until annexation, with City-County investments in highest-priority safety improvements.
- Facilitate creation of affordable housing, link the homeless, people of color, immigrants and refugees with housing and services via Equity & Social Justice Initiative efforts.

STATE OF WASHINGTON

Create an assistance package for more operating funds for surface water and drainage deficiencies; and business district revitalization – involving transportation, pedestrian improvements, beautification features, and streetscapes. Investments could include:

- Funding stormwater, sewer, water projects that modernize and spur economic development along the business corridor.
- Capital budget allocations and grants to save failing surface and storm water facilities, assessment of neglected and failing drainage systems; and Commerce Community Planning Grants for a for zoning and land use visioning.

RENTON SCHOOL

DISTRICT & STATE O S P I

Lead an initiative with a funding commitment of \$2M per year for 5 years from the State Office of Superintendent of Public Instruction to support aggressive improvements in educational attainment.

- Put Dimmitt Middle and Renton High Schools in the top 10% of schools statewide in academics, sports and special programs.
- Address high dropout rates, ongoing behavior issues, high turnover, negative reputation, celebrating the District's cultural and economic diversity (85% youth of color, 12% ESL, 53% enrolled in free or reduced lunch program).
- Set enrollment, parental involvement, attendance, dress code, cell phone, campus and minimum GPA rules.
- Garner business support to science, technology, engineering, and math, as well as arts, music, and athletics programs.
- Partner with Renton Technical College to provide youth career guidance, training and employment in Renton.

COMMITTEE OF THE WHOLE
COMMITTEE REPORT
WEST HILL ANNEXATION ELECTION
June 11, 2012

COMMITTEE OF THE WHOLE
COMMITTEE REPORT

June 11, 2012

WEST HILL ANNEXATION ELECTION

The Committee of the Whole deliberated on West Hill annexation election timelines and options. With the consideration of the projected City 2013-2014 budget challenge, the Committee of the Whole wishes to further delay the annexation election until such time the City's financial condition improves or other long-term financing tools become available to support the annexation funding gap. Therefore, the Committee hereby directs the Administration to draft a resolution to request King County to remove the item from the November 2012 election, to be presented to the City Council for potential action on June 18.

Rich Zwicker, City Council President

